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United Nations pension system

Report of the Fifth Committee

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I. Introduction

1. At its 2nd plenary meeting, on 16 September 2016, the General Assembly, on the recommendation of the General Committee, decided to include in the agenda of its seventy-first session the item entitled "United Nations pension system" and to allocate it to the Fifth Committee.

2. The Fifth Committee considered the item at its 14th and 23rd meetings, on 28 November and 23 December 2016. Statements and observations made in the course of the Committee's consideration of the item are reflected in the relevant summary records.[1]

3. For its consideration of the item, the Committee had before it the following documents:

(a) Report of the United Nations Joint Staff Pension Board on its sixty-third session (A/71/9);

(b) Report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund and measures undertaken to increase the diversification of the Fund (A/C.5/71/2);

(c) Financial report and audited financial statements for the year ended 31 December 2015 and report of the Board of Auditors (A/71/5/Add.16);

(d) Report of the Secretary of the United Nations Joint Staff Pension Board on the implementation of the recommendations of the Board of Auditors contained in its report for the year ended 31 December 2015 on the United Nations Joint Staff Pension Fund (A/71/397);

[1] A/C.5/71/SR.14 and A/C.5/71/SR.23.

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(c) Related report of the Advisory Committee on Administrative and Budgetary Questions (A/71/621).

II. Consideration of draft resolution A/C.5/71/L.6

4. At its 23rd meeting, on 23 December, the Committee had before it a draft resolution entitled "United Nations pension system" (A/C.5/71/L.6), submitted by the Chair of the Committee on the basis of informal consultations coordinated by the representative of the Dominican Republic.

5. At the same meeting, the Committee adopted draft resolution A/C.5/71/L.6 without a vote (see para. 6).

III. Recommendation of the Fifth Committee

6. The Fifth Committee recommends to the General Assembly the adoption of the following draft resolution:

United Nations pension system

The General Assembly,

Recalling its resolution 69/113 of 10 December 2014 and its resolution 70/238 A and section VI of its resolution 70/248 A of 23 December 2015,

Having considered the report of the United Nations Joint Staff Pension Board for 2016,[1] the report of the Secretary-General on investments of the United Nations Joint Staff Pension Fund and measures undertaken to increase the diversification of the Fund,[2] the financial report and audited financial statements for the year ended 31 December 2015 and the report of the Board of Auditors on the United Nations Joint Staff Pension Fund[3] and the recommendations contained therein, the report of the Secretary of the United Nations Joint Staff Pension Board on the implementation of the recommendations of the Board of Auditors contained in its report for the year ended 31 December 2015 on the United Nations Joint Staff Pension Fund[4] and the related report of the Advisory Committee on Administrative and Budgetary Questions,[5]

1. *Takes note* of the report of the United Nations Joint Staff Pension Board for 2016[1] and the report of the Secretary-General on investments of the United Nations Joint Staff Pension Fund and measures undertaken to increase the diversification of the Fund;[2]

2. *Also takes note* of the report of the Secretary of the United Nations Joint Staff Pension Board on the implementation of the recommendations of the Board of Auditors contained in its report for the year ended 31 December 2015 on the United Nations Joint Staff Pension Fund;[4]

3. *Endorses* the conclusions and recommendations of the Advisory Committee on Administrative and Budgetary Questions,[5] subject to the provisions of the present resolution;

Actuarial matters

4. *Notes* the valuation results reporting a surplus of 0.16 per cent as at 31 December 2015, and in this regard stresses the importance of continuing to earn the necessary 3.5 per cent annual real rate of return on a long-term basis for the future solvency of the Fund;

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[1] *Official Records of the General Assembly, Seventy-first Session, Supplement No. 9* (A/71/9).
[2] A/C.5/71/2.
[3] A/71/5/Add.16.
[4] A/71/397.
[5] A/71/621.

Financial statements of the United Nations Joint Staff Pension Fund and report of the Board of Auditors

5. *Welcomes* the preparation and submission to the General Assembly of the separate report of the Board of Auditors on the United Nations Joint Staff Pension Fund, and commends the efforts of all stakeholders;

6. *Notes* that the Board of Auditors issued an unqualified audit opinion on the financial statements of the Fund for the year ended 31 December 2015;

7. *Stresses* the need for the Fund to address all the weaknesses identified by the Board of Auditors in relation to vacancies in key positions, risk management, investment management, management of external fund managers, benefits payment management and other administrative processes;

Governance and administration

8. *Recognizes* that the Financial Regulations and Rules of the United Nations[5] remain the highest framework governing all aspects related to the administrative services provided by the United Nations Secretariat, including the procurement of goods and services, the management of property and internal and external audit arrangements;

9. *Emphasizes* that the Office of Internal Oversight Services shall remain the sole internal oversight body of the Fund's secretariat and investment, in line with the mandate given to the Office by the General Assembly in its resolution 48/218 B of 29 July 1994, and stresses that any change to the mandate in this regard remains the sole prerogative of the Assembly;

10. *Approves* an amendment to article 41 of the regulations of the Fund as provided in annex XIII to the report of the Pension Board to reflect the adoption of the medical standard of "fit for employment" for participation in the Fund;

11. *Also approves* a technical amendment to clarify the language of article 24 of the regulations, as set out in annex XIII to the report of the Pension Board;

12. *Further approves* an amendment to paragraph 26 of the Fund's pension adjustment system to reflect that, in cases of reinstatement, a new local currency track benefit would be established as from the date of reinstatement using the 36 month average of exchange rates ending as at that date, as set out in annex XV to the report of the Pension Board;

13. *Welcomes* the successful implementation of the Integrated Pension Administration System, and stresses the need for continued efforts to address underlying challenges, taking into account the observations, comments and recommendations of the Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions;

14. *Expresses serious concern* at the continued delays in the receipt of payments by some new beneficiaries and retirees of the Fund, once again stresses the need for the Pension Board to take appropriate steps to ensure that the Fund

[5] ST/SGB/2013/4.

addresses the causes of such delays, and in this regard requests an update in the context of the next report of the Pension Board;

15. *Notes with concern* that the delays in the payments may place beneficiaries and retirees, as well as their families, in difficult situations, and in this regard requests the Secretary-General, as Chair of the United Nations System Chief Executives Board for Coordination, to invite the heads of member organizations to take the appropriate steps, including by expediting information processing for new beneficiaries and retirees, to resolve this situation;

16. *Looks forward* to the results of the review of the end-to-end process aimed at identifying streamlining opportunities during all phases of the process in cooperation with member organizations of the Fund, and in this regard requests the Pension Board to ensure that the Fund completes the review, as a matter of priority, and to report on measures taken to address identified bottlenecks in the context of the next report of the Board;

17. *Notes with concern* the high number of vacant posts in the Pension Fund, and in this regard requests the Pension Board to ensure that the Fund takes appropriate measures to fill all the vacant posts in the Fund secretariat in full compliance with relevant provisions governing recruitment;

18. *Decides* to establish nine additional temporary positions for the period from 1 January to 31 December 2017, as set out in the table below:

Organizational unit	*Title of position*	*Number of positions*	*Category/level*
Administration			
Programme of work			
Operations (New York)	Benefits Officer	1	P-3
	Benefits Assistant	6	General Service (Other level)
Operations (Geneva)	Benefits Officer	1	P-3
	Benefits Assistant	1	General Service (Other level)
Total		**9**	

19. *Approves* the additional provision of 977,100 United States dollars for general temporary assistance for the biennium 2016-2017;

20. *Also approves* an increase in total resources for the biennium 2016-2017 from 179,078,300 dollars to 180,055,400 dollars, as a result of which the United Nations share of the cost of the administrative expenses of the Fund would remain unchanged at 21,865,300 dollars, and notes that extrabudgetary costs remain unchanged at 164,700 dollars;

Investments of the United Nations Joint Staff Pension Fund

21. *Reaffirms* that, in accordance with article 19 of the regulations of the Fund, the Secretary-General serves as fiduciary for the investment of the assets of the Fund and has fiduciary responsibility for deciding on the investment of the assets of the Fund;

22. *Requests* the Secretary-General, as fiduciary for the investment of the assets of the Fund, to continue to diversify its investments between developed, developing and emerging markets, wherever this serves the interests of the participants and the beneficiaries of the Fund, and also requests the Secretary-General to ensure that decisions concerning the investments of the Fund in any country are implemented prudently, taking fully into account the four main criteria for investment, namely safety, profitability, liquidity and convertibility, under volatile market conditions;

23. *Encourages* the Secretary-General, as fiduciary for the investment of the assets of the Fund, to continue to explore prospects in all markets, taking into account risk-return profiles and always applying sound risk management techniques, and taking fully into account the four main criteria for investments of the Fund;

24. *Recalls* paragraph 29 of the report of the Advisory Committee,[5] expresses concern at the near-term underperformance of investments, emphasizes the importance of the Fund meeting its target annual real rate of return of 3.5 per cent over the long term, and in this regard requests the Secretary-General to make all efforts to improve the Fund's investment performance and to report thereon in the context of future reports on the investments of the Fund;

25. *Expresses concern* that, for the biennium 2014-2015, foreign exchange losses recorded in the Fund's financial statements amounted to 3.4 billion dollars, and urges the Secretary-General to employ suitable procedures and tools to mitigate foreign exchange losses as well as develop an internal mechanism to monitor, evaluate and manage losses or gains owing to foreign exchange in addition to regular monitoring of the fair value of the assets;

26. *Notes with serious concern* the high number of vacant posts in the Investment Management Division, in particular at the managerial and senior levels, and in this regard requests the Secretary-General to take appropriate measures to fill all vacant posts, as a matter of priority and in full compliance with relevant provisions governing recruitment in the United Nations;

27. *Welcomes* the development of the anti-fraud and anti-corruption policy for the Investment Management Division, and in this regard requests the Secretary-General to ensure its full implementation;

28. *Recalls* section VI, paragraph 10, of its resolution 70/248 A, notes with concern that the report of the Secretary-General did not include information on the performance of his representative, and in this regard requests the Secretary-General to provide, at the main part of its seventy-second session and in all his future reports on the investment of the Fund, information on the performance of his representative in discharging his or her responsibilities;

Other matters

29. *Emphasizes* the need for the Pension Board to ensure that the Fund takes appropriate measures to use existing internal capacities and avoid the use of consultants in its operations, as appropriate;

30. *Requests* the Secretary-General to entrust the Office of Internal Oversight Services with conducting a comprehensive audit of the Fund's policies on, inter alia, risk management, investment management and other administrative processes and to report to the General Assembly at its seventy-second session on key findings in the context of the annual report on the activities of the Office.